

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF COMMUNITY AFFAIRS****Joe Serna, Jr. Farmworker Housing Grant Program**

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**NOTICE OF FUNDING AVAILABILITY****JOE SERNA, JR. FARMWORKER HOUSING GRANT PROGRAM****January 24, 2003**

The California Department of Housing and Community Development (HCD) is pleased to announce that it is accepting applications under the Joe Serna, Jr. Farmworker Housing Grant (JSJFWHG) Program. This Notice is for **Thirty Million Dollars (\$30,000,000)**, to be funded from the proceeds of bonds authorized by the voters in November, 2002, under Proposition 46.

**Authority and Purpose of Program**

The Program is subject to the requirements of [Health and Safety Code Section 50517.5](#) et seq. and California Code of Regulations, title 25, section 7200 et seq. Applicants are advised to fully familiarize themselves with these statutes and regulations.

The purpose of the JSJFWHG Program is to provide grants, or loans, or both for the construction and rehabilitation of housing for agricultural workers and their households and for other related costs as detailed below.

All recipients of funds will be required to execute and record a Grant Lien and Regulatory Agreement for the purposes of securing performance of the grant or loan conditions. In addition, recipients developing rental projects will be required to execute a Promissory Note and a Deed of Trust and to record the Deed of Trust in a lien position immediately succeeding the position of the Grant Lien and Regulatory Agreement. Individual families assisted with grant funds will be required to execute and record a Subsequent Grant Lien and Regulatory Agreement. The lien position(s) occupied by the JSJFWHG Grant Lien; Grant Lien and Deed of Trust; or Subsequent Grant Lien will be subject to the approval of the Department. Generally speaking, Department instruments are subordinate only to institutional lenders that are State or federally regulated, and to funds awarded by a Federal Agency.

Grant Lien and Regulatory Agreements used for new, multifamily or cooperative housing have a term of forty (40) years. Rehabilitation and homeownership grants have a term of twenty (20) years.

If funds are to be used in conjunction with low-income housing tax credits, the program may loan funds to Limited Partnerships. Loans will be made at 3 percent simple interest, due and payable at the end of the regulatorily required term of forty (40) years (longer, if so authorized by the Department as serving the interests of affordable housing), to run concurrently with the performance requirements of the Grant Lien and Regulatory Agreement. Funds may also be made available in the form of a combination of

loan and grant. Applicants must indicate at time of application if they will be requesting a grant, a loan or a combination of grant and loan.

### **Eligible Applicants**

Only local public entities, non-profit housing corporations, cooperative housing corporations, and limited partnerships (where all of the general partners are nonprofit mutual or public benefit corporations) are eligible to receive grants or loans.

### **Eligible Expenditures**

Funds made available through this Notice may be used for most costs related to housing development, including land acquisition, site development, new construction, rehabilitation and homeownership opportunities. A full list of eligible expenditures may be found at Cal [Code Regs., title 25, section 7206\(a\) and \(c\).](#)

### **Unauthorized Costs**

The grant or loan may not be used for a recipient's administrative costs, except those directly related and necessary to a recipient's implementation of its responsibilities in connection with the grant or loan, as determined by the Department. No part of the funds may be used for project organization or planning for the housing development [[Cal Code Regs., title 25, section 7206\(b\)](#)]. It is the Program policy that Developer Fees are considered organizational and planning costs and may not be charged to the grant or loan.

### **Grant and Loan Limits**

Due to the desire to facilitate farmworker housing in as many communities as possible, the Department is imposing the following upper limits on grants and loans for this funding round:

- 1) Homeownership projects: One and One-Half Million Dollars (**\$1,500,000**). It should be kept in mind that all funds used in the development of a subdivision must, following the sale of the individual lots, be subsequently granted in the form of mortgage write-down assistance to individual farmworker homebuyers. The grant requested must not exceed the total that will be subsequently granted to eligible agricultural workers.
- 2) Rehabilitation projects: One Million Dollars (**\$1,000,000**). Please make note of the special matching funds requirements found under "Special Conditions".
- 3) Multifamily Rental (new construction) projects: Three Million Dollars (**\$3,000,000**).
- 4) Multifamily Rental (new construction) projects using **9% Low-Income Housing Tax Credits**: One Million Dollars (**\$1,000,000**).

**The Department reserves the right to reduce the requested amount of funding for any given project, based upon Staff's analysis of proposed financing and the amount of funding available to the Program.**

### **NOFA Timeframes**

Applications for this funding round will be considered on an **"over-the-counter"** basis until available funds are exhausted. Applications will be accepted beginning at 8:00 A.M., Pacific Standard Time, on Monday, January 27, 2003 and until 5:00 P.M., Pacific Daylight Time, Monday, June 30, 2003 or until such time before June 30<sup>th</sup> that the Department has received what it determines to be a sufficient number of applications to reasonably use all funds currently available.

Applications will be reviewed and analyzed in the order in which they are received. Projects, however, will not be scheduled for presentation to the Local Assistance Loan and Grant Committee ("the

Committee”) until Staff is satisfied that the application is complete, the amount of proposed subsidy is appropriate, and that the project meets other underwriting and site and design criteria, as outlined in the Regulations at Sections 7204, 7206, 7208, and 7210. Depending upon the responsiveness of the applicant to requests for additional information, an application could be presented to the Committee before one that was submitted at an earlier date.

Grant or loan proposals that are eligible for funding but are not considered for approval because of the unavailability of funds will be considered at the next Committee meeting at which funds are available and will be judged with other grant or loan applications considered at that meeting [[Cal Code Regs., title 25, section 7214\(c\)](#)]. This means that unfunded applications may remain “active” for some time after the Department has stopped accepting further applications.

### **Special Conditions**

Applicants must demonstrate, to the satisfaction of the Department that they can and will provide a “matching share” of funds in an amount at least equal to the requested grant or loan. “Matching share” means the proceeds of loans, cash investments, or in-kind contributions that the recipient commits to the total development or rehabilitation cost of the housing development. Ongoing rental subsidies from other funding sources may count toward an Applicant’s match requirement. Applicants with rehabilitation projects who are proposing the use of in-kind contributions ([Cal Code Regs., title 25, section 7202](#), “Definitions”) consisting of existing structures as their matching share will have the valuation of those improvements closely scrutinized during review and evaluation and should present adequate data about the pre-rehabilitation value of their property. In addition, the use of existing structures as in-kind match contributions will be limited to 50% of the required total match. In all cases, the Department will determine the valuation and eligibility of a proposed matching share [[Cal Code Regs., title 25, section 7202](#), Definitions “Matching share”].

Market analyses provided as part of applications, per [Cal Code Regs., title 25, section 7218\(c\)\(8\)](#), shall specifically address demand for agricultural worker housing and the ability of local agricultural workers to pay the proposed rents or housing costs.

Applications, with the exception of scattered-site homeownership and owner-occupied rehabilitation projects, are limited to **single sites** and **single activities**. Separate applications must be submitted for multiple sites or for multiple activities at the same site. Each application will be considered on its own merits and without regard for “related” applications.

Please Note: A potential excellent source of matching funds for rental projects would be through the United States Department of Agriculture’s Rural Housing Service (RHS). RHS currently has a NOFA out for their **Section 514/516 Farm Labor Housing Loans and Grants**. The application due date is March 27, 2003. Since their financing also offers an opportunity for rental assistance, project feasibility may be greatly enhanced. The NOFA was published in the Federal Register on Friday, December 27, 2002. It may be downloaded using the following website: [http://www.access.gpo.gov/su\\_docs/fedreg/a021227c.html#Rural%Housing%Service](http://www.access.gpo.gov/su_docs/fedreg/a021227c.html#Rural%Housing%Service), which is the Federal Register Table of Contents. Under Agriculture Department click on Rural Housing Service, then under Notices click on either [TEXT] or [PDF] for the Section 514 Farm Labor Housing Loans and Section 516 Farm Labor Housing Grants for Off-Farm Housing. That NOFA is limited to new construction and acquisition and rehabilitation. In order to qualify as a JSJFWHG match at the application stage Applicants will need to include a copy of their application to RHS.

**Prevailing Wages:** Applicants should be aware that SB 975 (Alarcón) became law on January 1, 2002. SB 972 (Costa) becomes law on January 1, 2003. Both of these bills make changes to Section 1720 of the Labor Code. Any projects awarded grants or loans under this NOFA may now, with certain exceptions, be defined as “public works” and may be subject to the payment of prevailing wages. Construction estimates and budgets should be adjusted to reflect those facts, if applicable. Any questions of interpretation regarding the Labor Code should be directed to the Director of the Department of Industrial Relations, the State department having jurisdiction in these matters.

**Regulation Change:** On October 1, 2002 certain changes to the JSJFWHG Regulations took effect. Section 7234 formerly required deposits into the replacement reserve of a rental housing project at the rate of 1% of total development costs (TDC) per year until a total of 10% of TDC is attained. The new Section 7234 reduces this requirement, generally speaking, to 0.6% of the construction contract costs associated with the structures in the development. However, in the case of projects utilizing federal assistance, HCD will yield to federal regulations that may be more stringent in the case of required reserve deposits.

### **Timeframes for Use of Program Funds**

Successful applicants shall enter into a Standard Agreement with HCD for a term of three (3) years from the date of contract execution. The Standard Agreement will require a recipient to meet, or evidence progress in meeting, certain pre-disbursement and special conditions during the first twelve (12) months of the contract. Failure to meet this requirement could result in disencumbrance of funds and cancellation of the contract.

For successful applicants proposing the use of Low Income Housing Tax Credits as part of project financing, and who have not already received a reservation of tax credits, the Standard Agreement shall allow the applicant to apply for such a reservation at the next two subsequent opportunities, after receiving a JSJFWHG award. The Standard Agreement shall further provide that if the applicant does not receive a tax credit reservation in that timeframe, it shall, within ninety (90) days, demonstrate to the State’s satisfaction that it has made reasonable progress toward securing acceptable alternative financing, or the State, solely at its discretion, may disencumber the funds and terminate the Standard Agreement.

### **Right to Modify or Suspend**

HCD reserves the right, at its sole discretion, to suspend, amend, or modify the provisions of this NOFA. If such an action occurs, HCD will notify all interested parties.

### **Review and Evaluation**

Applications will be initially reviewed for completeness and eligibility. Applicants must be eligible and must demonstrate their ability to proceed with construction or rehabilitation of the proposed housing development (“capacity”) [[Cal Code Regs., section 7204\(a\)\(2\)](#)]. Additionally, applicants must demonstrate that they have site control that is satisfactory to the Department. They must be record owner in fee of the assisted real property or provide other security that is satisfactory to the department to ensure compliance with the construction, financial and program obligations [Health and Safety Code Section 50517.5(b)(4)(A)]. The proposed housing development must be eligible per Cal Code Regs., section 7204(b), including provision of assisted units; maximize, to the greatest extent possible, occupancy by low-income agricultural households; and be “affordable” per [Sections 50052.5](#) and [50053](#) Of the Health and Safety Code. All proposed uses of Program funds must be eligible per [Cal Code](#)

[Regs., section 7206](#). The Program will conduct its completeness and eligibility review by the end of the second Tuesday following receipt of an Application.

Only applications that are judged complete and eligible will undergo further evaluation by program staff to determine whether a positive (or negative) funding recommendation will be made to the Committee. That evaluation will include determining if proposed projects are consistent with the Program Statutes and Program Regulations, including underwriting and site and design criteria as outlined in the Regulations at Sections [7204](#), [7206](#), [7208](#), and [7210](#). A detailed analysis of the financial aspects of the project will be made to determine if the amount of Program funds are appropriate. That analysis will include a consideration of development and permanent financing, including other sources of subsidy; of operating budget projections; and of overall cost effectiveness. Additional information may be solicited from the applicant during this process.

Following this evaluation, Staff will present their findings to the Committee. All applicants whose projects are to be presented to the Committee will be notified of the date, time, and place of the meeting. Applicants will be notified in writing of the Committee's action. An application approved by the Committee will receive an award package that contains the procedures, requirements, and any special conditions needed for grant or loan closing. An application rejected by the Committee will be sent a letter informing the applicant of the reasons for such rejection and of its rights to appeal the decision.

### **Application Process**

Applications are to be submitted in duplicate and must be made on the forms provided by the Program. Application forms shall not be modified. Applications having material internal inconsistencies or lacking essential information will be considered incomplete and will be held pending clarification or correction.

**The Department is in possession of thirteen unfunded Applications submitted under a NOFA that was issued on October 3, 2002 and that the Department cancelled on December 26, 2002, due to reductions in State General Fund expenditures. Those Applications are no longer considered active. As a courtesy to those Applicants, the Department will accept a letter indicating a desire to consider those Applications under this new NOFA, without the necessity of resubmitting the entire Application package. That letter must not be dated before the issue date at the top of this NOFA and must be signed by the person authorized by the previously submitted resolution. However, these will be considered new Applications and will be considered along with all other Applications received. Those Applicants taking advantage of this procedure should carefully recheck the material submitted in response to the October 3<sup>rd</sup> NOFA in order to make sure that it reflects the current status of the project, including site control, financial structure, etc. If the Resolution submitted with the earlier Application was NOFA-specific, it will be necessary to submit a new Resolution.**

In order to assure prompt consideration and correct evaluation, applicants are advised to pay special attention to [Cal Code Regs., title 25, section 7218](#), "Contents of Grant Applications" and to read the Application Package carefully, being sure to provide all required information and accompanying documentation.

Please note that, per [Cal Code Regs., title 25, section 7218\(a\)](#) "The contents of the grant application and necessary supporting documents will vary with the source of the matching share which the applicant will use to finance the proposed housing development." Projects that have already applied to USDA/RD,

CHFA, or other Departmental funding sources should submit: 1) the 12-page JSJFWHG Application (plus “Addendum A”, if a multifamily project); 2) a copy of the application (including all required attachments) submitted to one of the other funding sources mentioned above; and 3) a resolution from the appropriate governing body authorizing submittal of an application to the JSJFWHG Program. Projects utilizing other funding sources will need to submit: 1) the JSJFWHG Application (plus “Addendum A”, if a multifamily project); 2) the required documents found in Regulation at [7218\(c\), \(d\), and \(e\)](#), as appropriate (also listed in “Exhibit Checklists A and B” that accompany the Application); and 3) an authorizing resolution.

Applicants may write, call, e-mail, or visit HCD's website for an application package at the address, telephone number, e-mail address or website listed below.

**Please direct your requests for applications or more information about this announcement to:**

Department of Housing and Community Development  
Joe Serna, Jr. Farmworker Housing Grant Program  
P.O. Box 952054, MS 390-8  
Sacramento, California 94252-2054  
(916) 324-0695  
(916) 327-6660 (FAX)  
or e-mail to: <mailto:cgaines@hcd.ca.gov>  
website: <http://www.hcd.ca.gov/ca/fwhg>

Thank you for your interest in the Joe Serna, Jr. Farmworker Housing Grant Program.

Sincerely yours,

William J. Pavão  
Deputy Director, Division of Community Affairs